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EX PARTE

August 18, 1998

Ms. Magalie Roman Salas Secretary - Federal Communications Commission 1919 M Street, N.W. Room 222 Washington, D.C. 20554

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RE: CC Docket No. 97-181 - Defining Primary Lines CC Docket No. 96-262 - Access Charge Reform

FEDERAL COMMUNICATIONS COMMISSION OFFICE OF THE SECRETARY

Dear Ms. Salas,

Today, a meeting was held between representatives of Sprint and staff members of the Competitive Pricing Division of the Common Carrier Bureau with regard to the above referenced dockets. Representing the FCC were Jay Atkinson, Aaron Goldschmidt, and Neil Freid. Representing Sprint were Jay Keithley, Dick Juhnke, Mark Askins, Jim Appleby, and Pete Sywenki.

The purpose of the meeting was to discuss the prospect of eliminating the distinction between primary and non-primary residential lines in assessing Subscriber line Charges and Primary Interexchange Carrier Charges. The attached materials were presented in the meeting.

The original and three copies of this notice are being submitted to the Secretary of the FCC in accordance with Section 1.1206(b)(1) of the Commission's rules. If there are any questions, please call.

Sincerely,

Joseph Jywen -Pete Sywenki

Attachment

No. of Copies rec'd 0 + 3 List A B C D E

Primary Lines vs. Non-primary Lines a distinction of secondary importance

August 18, 1998 CC docket 97-181



Primary/non-primary distinction

- the premise
- the practice
- the problems
- the proposal
- the process

the premise

- PICCs and SLCs contribute to the recovery of non-traffic sensitive loop costs
- if a subscriber can afford a second (non-primary) line, he/she can afford to pay a higher SLC and (indirectly) a higher PICC
- therefore: distinguish between primary and nonprimary lines and charge different rates
- [however: long term LEC recovery of loop costs would recover the same amount of SLC and PICC revenue from both primary and non-primary residential customers]

the practice

- primary residential lines pay up to \$3.50 per month for the subscriber line charge (SLC)
- IXCs are charged up to \$.53 per month for each primary residential line
- non-primary residential lines pay up to \$5.00 per month for the SLC
- IXCs are charged up to \$1.50 per month for each non-primary residential line

the problems

- local service providers must now make a determination of primary status
 - no clear definition of "non-primary"
 - sets up providers to ask intrusive and potentially judgmental questions
 - sets up providers to disagree with subscribers
- creates unnecessary complexity, audits, and expense - but offers no increased value
 - IXCs must determine if the LECs are charging the right level of non-primary lines

the problems

- distinction of primary/non-primary line gone by the time the PICC gets to the consumer
 - IXCs do not have billing data and therefore bill a weighted average PICC to their customers
- causes unnecessary LEC and IXC expenses
 - large billing system modifications for LECs
 - increased time on-line for service reps
 - verification procedures for IXCs

the problems

- difficult to explain to customers why charges for the second line are different than for the first line
- since many, if not most, second lines are used for internet access, this could deter usage
 - thus, a policy that makes second lines more expensive may be inconsistent with other policies

the proposal

- eliminate the distinction between primary and non-primary lines
 - recognize the practical impact on the customer
 - a line is a line is a line
 - same approach as was taken in USF Order (¶ 95-96)
- apply a weighted average SLC/PICC rate to all residential lines
- maintain planned transition of NTS recovery from MOU to flat rate

- calculate weighted average charge to be assessed on the customers and the IXCs
- assess that weighted average charge on all lines - primary and non-primary
- continue the movement of non-traffic sensitive cost recovery away from minute of use charges to flat rate charges

- cost recovery option
 - revised residential SLC: set at current weighted average of primary and non-primary SLCs
 - revised residential PICC: set at current weighted average of primary and non-primary PICCs

- long term financial impact on customers is zero
- short term financial impact on customers is negligible
- first year impact will be a monthly increase for primary lines of approximately \$.28
- monthly bill for non-primary lines will decrease

advantages

- obviates need for bill verification by IXCs
- removes need for (all types of) local service providers to ask intrusive questions and probe for enforcement purposes
- does away with need for billing system changes
- removes incentive for end users to "game" the system
- preserves appropriate transition of minute-ofuse rates to flat rate (CCLC to SLC & PICC)

Exhibit A

SLC - Rate Development

	In	itial Ca	alcu	ulation				Each	Each Year There After					
Primary Non-primary	Access Lines	Current SLC Rate		Current SLC Revenue		Revised Rate		Revised LC Revenue	SLC Rate					
	1,000,000 125,000 1,125,000			3,500,000 625,000 4,125,000		3.67 3.67	\$ \$ \$	3,666,667 458,333 4,125,000	All Residential	\$	3.67			
Weighted Average	,,		\$	3.67				,,						

PICC - Rate Development

	Ini	tia	l Ca	lcul	ation		·	Each Year There After					
	Access Lines	Current PICC Rate		Current PICC Revenue		Revised Rate		Revised PICC Revenue			PICC Rate		
Primary Non-primary	1,000,000 125,000 1,125,000		0.53 1.50	\$ \$ \$	530,000 187,500 717,500		0.64 0.64	\$ \$ \$	637,778 79,722 717,500	All Residential	Increase by \$.75 plus inflation (See Note)		
Reduction in SLC Total PICC Revenue Wt. Ave. PICC/Line				\$ \$ \$	717,500 0.64								

Objective: Weighted averages should be calculated to continue the planned transition of minute-of-use charges to flat rate charges.

Note: For Each Year There After, the PICC increase of \$.75 replaces the current cap increases of \$1.00 plus inflaton for non-primary and \$.50 plus inflation for primary. The new yearly additions should still be subject to the total interstate loop cost (BFP) as described in Part 69.

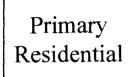
Average Common Line Revenue Per-Line Based Price Cap Companies

	E	EUC	CL			PICC							
		В	ASE PERIOD			BASE PERIOD							
	Total Primary Res, SLB,		DEMAND x	Weighted		Total Primary Res, SLB,		DEMAND x	We	eighted			
	Non-Prim Res &		PROPOSED	Avg Res		Non-Prim Res &		PROPOSED		Avg Res			
	BRI ISDN Lines		RATES		C Rate	BRI ISDN Lines		RATES		PICC Rate			
Ameritech	157,422,331	\$	580,899,737	\$	3.69	157,422,331	\$	102,783,123	\$	0.65			
Bell Atlantic	164,438,040	\$	603,692,542	\$	3.67	166,529,460		107,560,293	\$	0.65			
Bell South	190,273,412	\$	697,193,379	\$	3.66	190,332,817	\$	121,133,578	\$	0.64			
Nynex	135,872,294	\$	489,823,788	\$	3.61	137,193,403	\$	81,940,927	\$	0.60			
PacTel	102,209,954		381,540,402	\$	3.73	102,209,954	\$	53,733,568	\$	0.53			
Southwestern Bell	124,829,760	\$	453,133,073	\$	3.63	124,829,760		76,654,470	\$	0.61			
US West	134,267,940	\$	492,271,974	\$	3.67	134,267,940	\$	85,604,781	\$	0.64			
Total RBOCs	1,009,313,731	\$	3,698,554,893	\$	3.66	1,012,785,665	\$	629,410,739	\$	0.62			
Sprint LTC	66,581,556	\$	239,246,040	\$	3.59	66,581,556	\$	38,463,302	\$	0.58			
GTE	154,532,976	\$	555,120,411	\$	3.59	157,532,724	\$	92,712,073	\$	0.59			
Cincinatti Bell	8,377,035	\$	30,238,628	\$	3.61	8,377,035	\$	5,034,118	\$	0.60			
Citizens	8,042,124		28,411,746	\$	3.53	8,042,124		4,433,247	\$	0.55			
Lincoln	2,322,702	\$	8,312,633	\$	3.58	2,322,702	\$	1,349,486	\$	0.58			
Rochester	8,310,864		29,520,459	\$	3.55	8,310,864	\$	4,684,399	\$	0.56			
Southern New England	17,589,142	\$	63,376,153	\$	3.60	17,593,870	\$	10,502,491	\$	0.60			
Total Independents	265,756,399	\$	954,226,069	\$	3.59	268,760,875	\$	157,179,118	\$	0.58			
Total Price Cap LECS	1,275,070,130	\$ 4	1,652,780,962	\$	3.65	1,281,546,540	\$	786,589,857	\$	0.61			

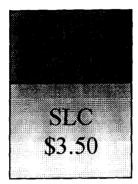
Interstate Loop Recovery After the Transition from MOU

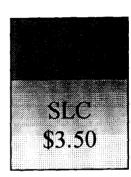
LEC Charges

End User Charged









Non-Primary Residential







Conclusion: Interexchange Carrier averaged PICC assessement will not result in all lines being assessed an equal share of the fixed costs.